(6 pages)

MAY 2014 **P/ID 77603/PBE1C/ PBEXC**

Time : Three hours Maximum : 100 marks

PART A — ($5 \times 6 = 30$ marks)

Answer any FIVE questions.

1. Explain the meaning and functions of management accounting.

2. Describe the objectives of financial statement analysis.

3. Define budget and budgetary control. Give a description of important budgets.

4. Explain the nature and concept of capital budgeting.

5. What are the essentials of a good costing system? Compare cost accounts and financial accounts.

6. What is meant by standard costing? State its objectives.

7. Calculate the P/V ratio and Break-even point from the following particulars :

	Rs.
Sales	5,00,000
Fixed cost	1,00,000
Profit	1,50,000

8. Explain the basic requisites of a good report.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

9. "Management Accounting is accounting for effective management". Explain this statement.

10. Perfect Ltd. gives the following Balance sheet. Calculate (a) Liquid ratio (b) Debt-Equity ratio (c) Solvency ratio (d) Stock working capital ratio.

Balance sheet as on 31^{st} Dec.

	Rs.		Rs.
Equity share capital	15,00,000	Fixed assets	14,00,000
Reserves and surplus	1,00,000	Stock	5,00,000
6% Debentures	3,00,000	Debtors	2,00,000
Overdraft	1,00,000	Cash	1,00,000
Creditors	2,00,000		
	22,00,000		22,00,000

11. The budgeted output of a factory specialising in the production of single product at the optimum capacity of 6,400 units per annum amounts to Rs.1,76,048 as detailed below :

	Rs.	Rs.
Fixed cost		20,688
Variable costs :		
Power	1,440	
Repair etc.	1,700	
Miscellaneous	540	
Direct materials	49,280	
Direct labour	1,02,400	1,55,360
		1,76,048

Having regard to possible impact on sales turn over by market trends, the company decides to have flexible budget with a production of 3,200 and 4,800 units (the actual quantity proposed to be produced being left to a later date before commencement of budget period). Prepare a flexible budget for production levels at 50% and 75%. Assuming the sale per unit is maintained at Rs.40 as at present. Indicate the effect on net profit.

Administration, selling and distribution expenses continue at Rs.3,600.

12. Pay off ltd is producing articles mostly by manual labour and is considering to replace it by a new machine. There are two alternative models M and N of the new machine. Prepare a statement of profitability showing the pay-back period from the following information :

	Machine M	Machine N
Estimated life of machine	4 years	5 years
Cost of machine	Rs.9,000	Rs.18,000
Estimated savings in scrap	Rs.500	Rs.800
Estimated savings in direct wages	Rs.6,000	Rs.8,000
Additional cost of maintenance	Rs.800	Rs.1,000
Additional cost of supervision	Rs.1,200	Rs.1,800

13. Define costing and discuss briefly its objects and advantages.

14. From the following data for the month of may of a factory, calculate :

(a) Material cost variance

(b) Material price variance

(c) Material usage variance

(d) Material mixture variance

(e) Material yield variance

Items of material	Standard	Rate	Actual	Rate
X	8,000 Kg	1.05	7,500 Kg	1.20
Y	3,000 Kg	2.15	3,300 Kg	2.30
Z	2,000 kg	3.30	2,400 Kg	3.50

Also write a short note on the relationship among these different variances.

15. The sales turnover and profit during two periods were as follows :

Period No.1 sales Rs.20 lakhs, profit Rs.2 lakhs

Period No.2 sales Rs.30 lakhs, Profit Rs.4 lakhs

Calculate

(a) P/V ratio and

(b) The sales required to earn a profit of Rs. 5 lakhs.

16. "Accounting reports are a matter of necessity for the management and not a matter of convenience". Explain.

PART C — ($1 \times 20 = 20$ marks)

(Compulsory)

17. The following data relate to the manufacture of a product during the month of January. Raw materials consumed is Rs.80,000.

    Direct wages Rs.48,000

    Machine hours worked Rs.8,000

    Machine hour rate Rs.4

    Office overhead 10% of works cost

    Selling overhead Rs.1.50 per unit

    Units produced 4,000

    Units sold 3,600 at Rs.50 each.

    Prepare a cost sheet and show

    (a) Cost per unit and

    (b) Profit for the period.

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